



DEPARTMENT OF THE ARMY
UNITED STATES ARMY
NORTH ATLANTIC TREATY ORGANIZATION
APO AE 09705

REPLY TO
ATTENTION OF

ACRM-MG

25 July 2003

MEMORANDUM FOR Assistant Secretary of the Army, (Financial Management & Comptroller), ATTN: SAFM-FOI, 109 Army Pentagon, Washington, DC 20310-0109

SUBJECT: Fiscal Year 2003 (FY03) Annual Statement of Assurance (ASA) on Management Controls

1. As the Assessable Unit Manager for the Headquarters, U.S. Army, North Atlantic Treaty Organization (HQ, USANATO), I have reasonable assurance that management controls and the existing accounting and administrative management control processes throughout all assessable units within HQ, USANATO are effective to deter or detect serious problems, and otherwise comply with the Federal Manager's Financial Integrity Act (FMFIA). This assurance validates that:

- a. Obligations and costs comply with applicable laws.
- b. Assets are safeguarded against waste, loss, unauthorized use or misappropriation.
- c. Revenues and expenditures applicable to operations with USANATO are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports and to maintain accountability of all types of assets.
- d. Programs, administrative and operating functions are efficiently and effectively carried out in accordance with applicable laws and management policies.
- e. The Management Control Process within HQ, USANATO emphasizes prevention of waste, fraud, mismanagement, and timely correction of material weaknesses.

2. My determination is based on a general understanding of, and adherence to, the General Accounting Office Standards for Internal Control. It is further verified by methods that I believe are necessary to evaluate the adequacy of management controls and to decide if they are in place and operating efficiently. Some of the actions supporting my determination included the application of all scheduled management control evaluations by responsible organizational elements and consideration of the following:

- a. Assuring that all managers understand and practice the five Comptroller General Standards established to sustain sound management controls in day-to-day operations.

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b. Assuring that the appropriate managers have specific management control responsibilities in their performance agreements to ensure an annual assessment in performing required management control duties.

c. Dissemination of management control information and procedures to managers, Assessable Unit Managers, Management Control Administrators, and other personnel in subordinate reporting units.

d. Assurances from each Assessable Unit Manager within HQ, USANATO as support for my statement.

e. Heightened awareness and formal assignment of responsibility for the adequacy of management controls by military and civilian managers and all other personnel.

f. Encouraging USANATO managers to actively monitor the effectiveness of management controls so that early detection and correction of problems can occur before problems become material.

g. Performance of other management control evaluations warranted by circumstances or recommended by the HQ, USANATO MCP Senior Management Council (SMC).

3. The newly revised guidance by the Headquarters, Department of the Army requires information on efforts by Internal Review personnel in support of each reporting agency's Management Control Process. HQ, USANATO has been exempted from this requirement due to not having an Internal Review function.

4. TAB A, How the Assessment Was Conducted (enclosure), provides detailed listing of programs implemented and detailed information on initiatives taken within HQ, USANATO to strengthen and enhance the effective application of management controls. TAB A also describes the efforts to improve HQ, USANATO's stewardship of public resources.

5. TAB B Material Weaknesses (enclosure), of which there are none.

6. Two concerns of USANATO which should be noted are:

a. The process of revising Army Regulations (ARs) is taking considerable time. There are several ARs that are applicable to our mission and to date they have not been revised. The lack of governing regulations make it difficult for commanders to receive clear guidance and creates the need to rely on locally developed guidance. In addition, some ARs do not contain pertinent management control evaluation checklists. The lack of current regulations and/or checklists presents an obstacle in conducting the management control evaluations required by Headquarters, Department of the Army. One example is AR 600-8-4, Line of Duty

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Investigation. This regulation was going to be published within two years of being rescinded however, several years have passed without publication of a current directive being issued.

b. Separation of fiscal and command authority affects the ability of this command to exercise effective control (oversight) over several subordinate units. HQs, USANATO receives BA 44 funding for U.S. Army national requirements from the NATO Resource Support Branch (NRSB) of USAREUR. However, funds for units over which this command has administrative control have not been included in the budget provided to this headquarters, but are passed directly to these units. Specifically, the receipt and reporting of funds by one command (NRSB, USAREUR) on behalf of another command (USANATO) that has ultimate administrative responsibility (including UCMJ) for administration of the same funds undermines command and control and inhibits implementation of effective management controls.

7. I am committed to sound stewardship of command resources, which can be ensured with effective management controls throughout the HQ, USANATO command.

8. Point of contact for this action is the HQ, USANATO, Management Control Administrator, Mrs. Rikki P. Battersby in the HQ, USANATO, Deputy Chief of Staff, G8 Office at DSN (314) 423-4937 or commercial 011-32-65-44-4937.

FOR THE COMMANDER:

Encl



MICHAEL L. COMBEST
Brigadier General, U.S. Army
Deputy Commanding General

TAB A

HOW THE ASSESSMENT WAS CONDUCTED

HOW THE ASSESSMENT WAS CONDUCTED DURING THE FISCAL YEAR 2003 (FY03) IN HEADQUARTERS, U.S. ARMY, NORTH ATLANTIC TREATY ORGANIZATION (HQ, USANATO)

The FY03 Annual Statement of Assurance (ASA) is based on a combination of ongoing programs and actions taken to provide a reasonable level of confidence that management controls are in place and operating properly throughout all levels of the command. Specific actions taken during this fiscal year to strengthen and enhance the effectiveness of management controls within HQ, USANATO include:

LEADERSHIP EMPHASIS:

1. Coordinated development of FY03 command and local policy memorandums for each subordinate assessable unit signed by its respective Assessable Unit Manager (AUM). HQ, USANATO senior leadership emphasized the Management Control Process (MCP) in the policy memoranda expressing their support of the program as an opportunity to identify problems, take corrective actions, and stressing the significance of performing quality management control evaluations as the key element of a successful MCP. The Commanding General, Deputy Commanding General and Chief of Staff outlined the objectives of the MCP throughout the command in their policy memoranda. All AUMs delineated the MCP objectives in their local policies.
2. In addition to emphasizing the MCP through policy memoranda, the command Management Control Administrator (MCA) designed and set up a bulletin board for the HQ, USANATO SHAPE location and forwarded materials to each outlying assessable unit with guidance to dedicate similar boards locally. Posted materials included MCP policy memoranda signed by the Secretary of the Army and Army Chief of Staff; HQ, USANATO Commanding General LTG Colby M. Broadwater; and Chief of Staff COL Steve M. Poet, and General Accounting Office (GAO) Standards for Internal Control, etc. The board content was periodically updated.
3. Published the HQ, USANATO Circular 11-2, "Management Control Process Program" outlining MCP responsibilities and procedures within the Army and HQ, USANATO on our HQ, USANATO MCP webpage as well as distributed it to Assessable Units.
4. Requested submission of the "explicit statements" of responsibility for management controls in performance agreements of all HQ, USANATO commanders, Deputy Chiefs of Staff, supervisors, managers, and individuals responsible for conducting evaluations in accordance with the command MCP policy. The HQ, USANATO exceeded the minimum requirement of AR 11-2 by including these statements in performance standards of personnel listed above. Sample "explicit statements" for different levels of responsibility are enclosed in the policy for easy reference.
5. Encouraged the military and civilian personnel in all MCP training sessions as well as in the

MCP Information Paper #2 to demonstrate a positive and supportive attitude towards internal control, to safeguard the USANATO's resources, and report management control weaknesses". HQ, USANATO personnel were made aware of their responsibility, as Federal employees, to display a high level of commitment towards safeguarding of the USANATO resources and taking an active role in identifying the absence or ineffectiveness of controls that may be evaluated as material weaknesses.

6. Disseminated news-media articles with "real-world" examples demonstrating breakdowns in controls in order to emphasize the importance of effective internal controls.
7. Communicated MCP related issues by e-mail to facilitate transmission of information to the HQ, USANATO AUMs, MCAs, Deputy Chiefs of Staff, managers, and section POCs. Topics included training, "Explicit Statements of Responsibility for Management Controls" policy, conducting management control evaluations, FY03 Annual Statement of Assurance submission guidance, preparation of DA 11-2-R, MCP slide presentations, and command MCP website, etc.
8. Distributed new GAO standards to all AUMs, managers, and MCAs. Periodically posted these standards on all bulletin boards throughout the command and included them in FY03 MCP implementation guidance to AUMs.
9. Prepared and disseminated, throughout the command, messages and memorandums signed by the Deputy Chief of Staff, G8 emphasizing the importance of properly managing and accounting for resources and the implementing of a strong MCP.
10. Emphasized the importance of effective internal control at all levels during weekly staff meetings throughout the year.
11. HQ, USANATO Senior Management Council (SMC), comprised of the senior Headquarters staff members and the command MCA, actively participated in the review of the MCP program within the command.
12. The SMC reviewed and assessed the FY03 ASA feeder reports submitted by all HQ USANATO assessable units, to include the supporting management control evaluation documentation, and made recommendations to the Chief of Staff on the status of controls.

EDUCATION AND TRAINING:

1. The command Management Control Administrator attended the two-day United States Department of Agriculture (USDA) Graduate Course offered in Scottsdale, AZ.
2. We started/conducted training during the first Senior Management Council (SMC) meeting. The main focus was our Five-Year Plan, determining which areas in each functional component that needs to be tested to assure that our most important controls are in place and are adequate to our unique needs.

3. We have also forwarded to each of our MCA's the Management Control & Marketing CD from COL William M. Landrum III, Acting Deputy Assistant Secretary of the Army, (Financial Operations).
4. Two of our Assessable Unit Managers and their Management Control Administrators, (JC SOUTHEAST & AFNORTH) conducted training for there own assessable units.
5. The command MCA updated and distributed a command slide presentation emphasizing the importance of the MCP program by incorporating guidance and quotations from top leaders.
6. The command MCA's innovative training approaches:
 - a. Distributed the HQ, USANATO Circular 11-2, "Management Control Process Program" as one of the command educational resources to provide managers, AUMs, MCAs, and other personnel with a comprehensive overview of the process and the way the process works in our command. The circular provides an easy reference guide containing proper formats and examples of accurately completed ASA as well as all other required documentation for compiling the annual input.
 - b. Distributed "MCP 101" Guide. This guide gives a basic overview of MCP program and how we manage it in HQ, USANATO. It provides links to different MCP related reference materials. All command AUMs, Deputy Chiefs of Staff, MCAs, all resource managers, and other leaders were trained using this guide. Some divisions included this guide in their desk reference SOP packets.
7. Conducted an MCP training session to the Executive Officer, SHAPE Policy Requirements who provided a similar training to the Deputy Commanding General, HQ, USANATO Assessable Unit Manager.
8. Conducted informal desk-side training for two USANATO SHAPE Assessable Unit MCAs. Training focused on regulatory requirements, conducting evaluations, proper program documentation, and procedures for submission of Annual Statements of Assurance.
9. Used the "train-the-trainer" approach and distributed the USANATO MCP slide presentation and other training materials. Tasked the subordinate MCAs with conducting training to local personnel in order to save the command's TDY budget. The sessions were performed in AFNORTH, Brunssum, The Netherlands and JC SOUTHEAST, Izmir, Turkey. The AFNORTH MCA conducted a training session for his 10 local supervisors and managers. The JC SOUTHEAST AUM provided training to 13 personnel. He is committed to provide similar refresher training to his staff every six months.
10. Designed and maintained the HQ, USANATO MCP web site. Publicized the website to provide training resources, disseminate valuable information, and emphasize the importance of MCP. The links provided regulatory references, policies, a standardized Power Point training brief with speaker's notes, command Five-Year Plan, articles, and links to ASA (FM&C), GAO, DoDIG, and IR Home Pages.

11. Posted articles on management control issues and special interest items relating to MCP to include Risk Management and Army Performance Improvement Criteria (APIC) as well as topics discussed during the FY02 Army Management Control Training Conference such as: How to Enhance Your Existing Management Control Process for Added Value, DoD Travel Charge Card, Purchase Card Fraud, MCP – The Auditor’s Role, Managing Stress, etc. Also the new DA Form 11-2-R, Management Control Evaluation Certification, to the command website.

12. To broaden the dissemination of MCP information throughout the command posted Command Guidance from Chief of Staff, FY03 timeline, Five-Year Plan, a variety of articles and information as well as the new 11-2-R on our HQ, USANATO G-8 public folder.

13. Stressed the importance of performing the scheduled evaluations IAW AR 11-2 and the importance of maintaining adequate documentation on the evaluations performed. Forwarded the TRADOC “Conducting the Evaluations” web-based training Module to assist in performing the required evaluations IAW AR 11-2 this fiscal year (FY02). Publicized the newly developed Army Reserve Readiness Training Center (ARRTC) training modules:

- a. Becoming a Management Control Administrator (MCA)
- b. Writing a Material Weakness
- c. Management Control Process (MCP)
- d. Risk Management

14. Distributed throughout all Assessable Units the Management Control and Marketing CD-Rom from the Acting Deputy Assistant Secretary of the Army (Financial Operations).

15. Made the command aware of the DoD Systemic Material Weaknesses through discussions during SMC sessions, MCP briefings, posting on the command bulletin boards, and providing links on the command MCP website. These DoD Systemic Material Weaknesses were selectively identified by the Auditor General and the DoDIG for general awareness and assistance in management control evaluation process and possible identification of potential problems in each command’s own respective areas and, if necessary, taking timely preventive or corrective actions.

PROGRAM EXECUTION:

1. The command Management Control Administrator was selected to become a member of the Deputy Assistant Secretary of the Army (Financial Operations) (DASA (FO)) Management Control Process Steering Group (MCPSG), MCP Operations Subcommittee and participated in its annual meeting on 18 June 2003. The MCPSG discussed the future trends and initiatives to increase the emphasis and improve the management of the program within the Department of the Army. The command Management Control Administrator also attended the two-day HQDA Annual MCP Symposium during 19-20 June 2003 and distributed all applicable information to

appropriate command staff proponents. The relevant information and topics of discussions will be added for further reference to the HQ, USANATO MCP web page under “Army Management Control Symposium - FY 2003” as soon as they are released by HQDA.

2. The command Five-Year Plan was developed and updated as required by the SMC based on the HQDA annual MCP Evaluation Inventory and recommendations from the command’s SMC and staff proponents on focus areas and those areas not applicable to this command. The SMC was utilized to identify high-risk areas and reinforcing requirements and procedures for identified areas. The SMC added seven functional area review checklists to our plan this fiscal year. The SMC also increased the frequency of the key management control evaluations for a majority of functional areas in HQ, USANATO to annual or biennial from the normally required by HQDA five-year frequency. Twenty-seven functional areas scheduled for evaluation this fiscal year were formally assessed and certified. Supportive documentation verifying that the key management controls were tested was submitted by all assessable units and retained by the command MCA.

3. Disseminated the Five-Year Plan to all Assessable Unit Managers in February 2003, before the official HQDA tasker was issued, along with the formal instructions to begin the implementation of the command Plan for FY03. The purpose of early guidance dissemination was to ensure that possible weaknesses were identified and corrected before they became a problem. The guidance was sent out along with

4. Provided HQDA and HQ, USANATO websites address for direct access to inventory and evaluations and other related information.

5. Continuously stressed the importance of evaluating key management controls using existing processes such as Command Supply Discipline Program (CSDP), Physical Security Inspection program (PSIP), and functional team reviews in order to avoid duplicating efforts. Continued integration of the Management Control Process and the Command Inspection Program. These complimentary programs provide consistent management review of resources and programs within the HQ, USANATO. The command previously incorporated the MCP checklists into the CIP checklists

6. HQ, USANATO Staff Proponents developed alternative methods for evaluating management controls in functions for which HQDA checklist were not available by generating self-assessment checklists. These checklists were forwarded for utilization by other activities and units in the command to assess their programs.

7. Maintained an electronic mail network with Management Control Administrators within the HQ, USANATO, ASA (FM&C), FORSCOM, and other MACOMs to exchange ideas and expertise and improve internal processes.

8. Continued to utilize the expertise of the HQ, USANATO Senior Management Council to conduct threat assessments, review progress of actions to resolve previously reported material weaknesses, to provide information, and to make recommendations.

9. Maintained a tracking database for all MCP-related requirements tasked to subordinate units for submission to command level such as “explicit statements” in performance agreements, policy letters, ASAs, material weakness status reports, etc.
10. Posted GAO “Internal Control Management and Evaluation Tool” on the command MCP web site and encouraged command staff/leaders to utilize it. This tool assists agencies in determining how well an agency’s internal control is designed and functioning and in improving or maintaining effective operations.
11. Disseminated MCP guidance from DoD, HQDA, and this command to subordinate levels relative to all areas of routine program management.
12. Provided the AUMs and functional staff with a detailed instruction package for preparation of their feeder statements including examples of all required forms accurately completed and a properly completed ASA.
13. Closely reviewed ASA and checklist submissions providing continuing guidance for resolution of errors and discrepancies. Maintained close liaison with MCAs and AUMs concerning the status of their organization’s input.
14. At the beginning of the Fiscal Year 2003 designated in writing all members of the command Senior Management Council, Assessable Unit Managers, and primary/alternate Management Control Administrators.
15. Updated and maintained the AUM and MCP POCs listing for all subordinate units within the command. Forwarded listing to HQDA (ASA-FM&C).
16. DCS G8 provided ongoing guidance and technical assistance to all HQ, USANATO AUMs, administrators, and managers via telephone, e-mail, hard copy distribution, and conferences to ensure adherence to AR 11-2.

TAB B

MATERIAL WEAKNESSES

NONE

TAB B-1

LIST OF MATERIAL WEAKNESSES

LIST OF MATERIAL WEAKNESSES

	TITLE OF MATERIAL WEAKNESS	FY IDENTIFIED
UNCORRECTED MATERIAL WEAKNESSES	NONE	
CORRECTED MATERIAL WEAKNESSES	NONE	
NEW MATERIAL WEAKNESSES	NONE	

TAB B-2

UNCORRECTED MATERIAL WEAKNESSES

NONE

TAB B-3

CORRECTED MATERIAL WEAKNESSES

NONE